

By: Hinojosa, Campbell

S.B. No. 1505

A BILL TO BE ENTITLED

AN ACT

relating to the application of and allocation of revenue from certain taxes imposed on certain tobacco products.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 58A.002(b), Education Code, is amended to read as follows:

(b) The permanent fund supporting graduate medical education is a special fund in the treasury outside the general revenue fund. The fund is composed of:

(1) money transferred or appropriated to the fund by the legislature;

(2) money deposited to the credit of the fund under Section 154.603, Tax Code;

(3) gifts and grants contributed to the fund; and

(4) [~~(3)~~] the returns received from investment of money in the fund.

SECTION 2. Section 61.5391(b), Education Code, is amended to read as follows:

(b) Money in the account may not be appropriated for any purpose except ~~+~~

~~[(1)]~~ to provide loan repayment assistance to eligible physicians under this subchapter ~~[~~or~~~~

~~[(2) to provide loan repayment assistance under Subchapter JJ if reallocated under Section 61.9826].~~

1 SECTION 3. Section 61.9823(c), Education Code, is amended
2 to read as follows:

3 (c) The total amount of loan repayment assistance provided
4 under this subchapter may not exceed the total amount of gifts and
5 grants accepted by the board for the repayment assistance and other
6 funds available to the board for the repayment assistance[~~7~~
7 ~~including any money reallocated under Section 61.9826~~].

8 SECTION 4. Subchapter JJ, Chapter 61, Education Code, is
9 amended by adding Section 61.9829 to read as follows:

10 Sec. 61.9829. NURSING FACULTY LOAN REPAYMENT ASSISTANCE
11 PROGRAM ACCOUNT. (a) The nursing faculty loan repayment
12 assistance program account is an account in the general revenue
13 fund. The account is composed of:

14 (1) gifts and grants contributed to the account under
15 Section 61.9827;

16 (2) earnings on the principal of the account; and

17 (3) other amounts deposited to the credit of the
18 account, including:

19 (A) legislative appropriations;

20 (B) money deposited under Section 155.2415, Tax
21 Code, and

22 (c) money deposited under Section 154.603, Tax
23 Code.

24 (b) Money in the account may not be appropriated for any
25 purpose except to provide loan repayment assistance to eligible
26 nursing faculty under this subchapter.

27 SECTION 5. Section 154.001, Tax Code, is amended by adding

1 Subdivisions (1-a) and (11-a) and amending Subdivision (2) to read
2 as follows:

3 (1-a) "Cigar" has the meaning assigned by Section
4 155.001.

5 (2) "Cigarette" means a roll for smoking~~+~~
6 [~~(A)~~] that is made of tobacco or tobacco mixed
7 with another ingredient and wrapped or covered with a material
8 other than tobacco~~+~~ and

9 [~~(B)~~] that is not a cigar. For purposes of this
10 chapter, the term includes a little cigar.

11 (11-a) "Little cigar" means a roll for smoking that:

12 (A) is made of tobacco or tobacco mixed with
13 another ingredient;

14 (B) contains an integrated cellulose filter or
15 other similar filter; and

16 (C) is wrapped with a material other than natural
17 leaf tobacco.

18 SECTION 6. Section 154.603, Tax Code, is amended to read as
19 follows:

20 Sec. 154.603. DISPOSITION OF REVENUE. (a) Subject to
21 Subsection (b), all proceeds from the collection of taxes imposed
22 by this chapter remaining after [~~After~~] the deductions authorized
23 [for the purposes provided] by Section 154.602 shall be deposited
24 to the credit of [~~this code, the revenue remaining of the first \$2~~
25 ~~of tax received per 1,000 cigarettes for cigarettes weighing three~~
26 ~~pounds or less per thousand and the first \$4.10 per 1,000 cigarettes~~
27 ~~of the tax received for cigarettes weighing more than three pounds~~

1 ~~per thousand is allocated:~~

2 ~~[(1) 18.75 percent to the foundation school fund; and~~

3 ~~[(2) 81.25 percent to] the general revenue fund.~~

4 (b) Beginning September 1, 2017, the comptroller shall
5 determine the increase in the amount of revenue derived from the tax
6 imposed under Section 154.021 that is attributable to the inclusion
7 of little cigar in the definition of cigarette. Each state fiscal
8 year, the comptroller shall deposit an amount of money equal to that
9 increase for the state fiscal year, less any amount required to be
10 deposited to the property tax relief fund under Section 154.6035,
11 as follows:

12 (1) two-thirds to the credit of the permanent fund
13 supporting graduate medical education; and

14 (2) the remainder to the credit of the nursing faculty loan
15 repayment assistance program. [The revenue remaining after the
16 deductions for the purposes provided by Section 154.602 of this
17 code and allocation under Subsection (a) of this section is
18 allocated to the general revenue fund.]

19 SECTION 7. Section 155.001, Tax Code, is amended by
20 amending Subdivision (2) and adding Subdivision (9-a) to read as
21 follows:

22 (2) "Cigar" means a roll of fermented tobacco that is
23 wrapped in tobacco and the main stream of smoke from which produces
24 an alkaline reaction to litmus paper. For purposes of this chapter,
25 the term does not include a little cigar.

26 (9-a) "Little cigar" has the meaning assigned by
27 Section 154.001.

1 SECTION 8. Section 155.2415, Tax Code, is amended to read as
2 follows:

3 Sec. 155.2415. ALLOCATION OF CERTAIN REVENUE TO PROPERTY
4 TAX RELIEF FUND AND CERTAIN OTHER FUNDS. (a) Notwithstanding
5 Section 155.241, the proceeds from the collection of taxes imposed
6 by Section 155.0211 shall be allocated as follows:

7 (1) the amount of the proceeds that is equal to the
8 amount that, if the taxes imposed by Section 155.0211 were imposed
9 at a rate of 40 percent of the manufacturer's list price, exclusive
10 of any trade discount, special discount, or deal, would be
11 attributable to the portion of that tax rate in excess of 35.213
12 percent, shall be deposited to the credit of the property tax relief
13 fund under Section 403.109, Government Code;

14 (2) the amount of the proceeds that is equal to the
15 amount that would be attributable to a tax rate of 35.213 percent of
16 the manufacturer's list price, exclusive of any trade discount,
17 special discount, or deal, if the taxes were imposed by Section
18 155.0211 at that rate, shall be deposited to the credit of the
19 general revenue fund; and

20 (3) out [~~100 percent~~] of the remaining proceeds:

21 (A) 98 percent shall be deposited to the credit
22 of:

23 (i) [~~(A)~~] the physician education loan
24 repayment program account established under Subchapter J, Chapter
25 61, Education Code; or

26 (ii) [~~(B)~~] the general revenue fund, if the
27 comptroller determines that the unencumbered beginning balance of

1 the physician education loan repayment account established under
2 Subchapter J, Chapter 61, Education Code, is sufficient to fund
3 appropriations and other direct and indirect costs from that
4 account for the fulfillment of existing and expected physician loan
5 repayment commitments during the current state fiscal biennium; and

6 (B) two percent shall be deposited to the credit
7 of the nursing faculty loan repayment assistance program account
8 established under Subchapter JJ, Chapter 61, Education Code.

9 (b) Proceeds deposited in accordance with Subsection
10 (a)(3)(A)(ii) [~~(a)(3)(B)~~] may be appropriated only for health care
11 purposes.

12 SECTION 9. Sections 61.9823(b) and 61.9826, Education Code,
13 are repealed.

14 SECTION 10. In addition to the substantive changes made by
15 this Act, this Act conforms Section 154.603, Tax Code, to the method
16 of allocating cigarette tax revenue in effect before the effective
17 date of this Act. Section 11.04, Chapter 4 (S.B. 3), Acts of the
18 72nd Legislature, 1st Called Session, 1991, enacted former Section
19 403.094(h), Government Code, which abolished certain state fund
20 dedications and resulted in the abolition of the allocation to the
21 foundation school fund effective August 31, 1995.

22 SECTION 11. The change in law made by this Act does not
23 affect tax liability accruing before the effective date of this
24 Act. That liability continues in effect as if this Act had not been
25 enacted, and the former law is continued in effect for the
26 collection of taxes due and for civil and criminal enforcement of
27 the liability for those taxes.

1 SECTION 12. The changes in law made by this Act to
2 Subchapters J and JJ, Chapter 61, Education Code, apply beginning
3 with loan repayment assistance awarded for the 2017-2018 academic
4 year. Loan repayment assistance awarded for an academic year
5 before the 2017-2018 academic year is governed by the law in effect
6 immediately before the effective date of this Act, and the former
7 law is continued in effect for that purpose.

8 SECTION 13. This Act takes effect September 1, 2017.